

# Report of the Supervisory Committee

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Four committee meetings were convened during 2004 for making resolutions in relation to different matters. Major matters on the agenda of the meetings were: (1) to receive the report from the finance officer of the Company on the production operations and the financial position for 2003, and to review matters in relation to the Company's handling of assets and the making of provision on asset impairment as well as the adjustments of the depreciation rates of fixed assets; (2) to consider the 2003 annual report, the Work Report of the Supervisory Committee of 2003, 2003 financial statements and the profit appropriation for 2003; (3) to discuss the related matters on the connected transactions between the Holding and the Company; (4) to receive the report from the finance officer of the Company on the production operations and the financial position of the Company for the first half of 2004 and to consider the reports and summary for the first half of 2004; (5) to discuss the matters on the provision of loan guarantees provided by the Company to its controlled subsidiaries; (6) to discuss the amendments to the Articles of Association; (7) to receive the report from the finance officer of the Company on the financial position and production operations of the Company for the third quarter.

## **1. OPERATIONS IN COMPLIANCE WITH THE LAW**

During the reporting period, the Company was operating strictly in compliance with the relevant law and regulations and the Articles of Association. Members of the Board of Directors, managers and senior management staff of the Company, holding themselves accountable to our shareholders, all performed their duties with diligence and devotion and have accomplished the missions delegated by the shareholders in quite a satisfactory manner.

## **2. INSPECTION ON THE FINANCIAL POSITION OF THE COMPANY**

The Supervisory Committee had examined the production operations and the financial position of the Company, received explanations from the finance department on preparing the Company's financial statements, and reviewed the annual audit report prepared by Ernst & Young. In the opinion of the Supervisory Committee, the financial statements of the Company truthfully reflected the financial position and operating results of the Company. The auditing opinions prepared by the Auditors are objective and fair.

## **3. UTILISATION OF PROCEEDS**

As at 31 December 1999, the proceeds recently raised by the Company had been fully utilised. There was no additional fund raised during the reporting period.

## **4. DEALINGS IN ASSETS**

During the reporting period, the Company acquired 71% equity interest in Anhui Masteel Holly Packaging Co., Ltd, being the entire equity interests held by the Holding. The Supervisory considers the acquisition price fair and reasonable and will not adversely affect the Company and its shareholders.

Save as the above, the Company had not conducted any transactions related to the acquisition or disposal of assets. No insider trading or infringement of the Company's interest or shareholders' interest had been identified by the Supervisory Committee.

# Report of the Supervisory Committee

## 5. CONNECTED TRANSACTIONS

During the reporting period, the connected transactions between the Company and the Holding were made in accordance with the relevant provisions and with their decision-making procedures being in compliance with regulations. All connected transactions with prices determined on the basis of market prices were carried out in a fair and reasonable manner without prejudicing the interests of the Company and its shareholders.